

# Appointment Questions

## City Budget Office Interim Director, Director Eder

### Background & Vision

- 1. You've served in various roles across City government, including Council staff leadership, giving you insight into the workings of both the Executive and Legislative branches. As the City enters a challenging budget cycle, strong collaboration between the Mayor's Office and Council will be essential. Reflecting on last year's budget process, what worked well, what didn't, and how would you strengthen communication and collaboration between the legislative and executive branches?*

If confirmed, it would be an honor and privilege to continue serving the City as Budget Director. For most of my career, I worked in leadership roles on the City Council's Central Staff. After working with then-Councilmember and Council President Harrell, I was honored that Mayor Harrell asked me to serve as his policy director. Since the middle of 2024, I have been the City's Interim Budget Director.

My years supporting Councilmembers gave me a first-hand view of how important it is for policymakers to have full information about options and tradeoffs. This certainly includes budget policy choices. Full and unbiased access to information is critical to decision-making, and as budget director I would continue to prioritize getting Councilmembers critical information in a timely manner, working closely with your Central Staff to make sure that you have access to the best information.

As you are aware, I became interim budget director in mid-2024 when the City was grappling with how to address a \$250 million General Fund deficit. The Mayor asked me to help him propose a balanced budget without devastating consequences to critical services such as public safety, housing, homelessness, libraries, and food access. I'm proud of the work that City leaders did to accomplish that goal: the Mayor's proposed budgets for 2025 and 2026 were fully balanced within available revenues, and the City Council adopted and endorsed balanced budgets.

Unfortunately, the City again finds itself in a challenging budget situation as we head into this fall. In light of bad news in the April revenue forecast, we will need to make difficult choices about what to prioritize.

Reflecting on how to improve upon last year's successful budget process, I want to be more purposeful in reaching out to each Councilmember later this summer to inform the Mayor's decisions about the proposed budget. I will also affirmatively seek Councilmembers' input about top priorities for continued funding and any areas they would favor for spending reductions.

2. *The City of Seattle is facing a structural budget deficit in the years ahead. What do you view as the main contributors to that deficit and what would you recommend the city do to prepare for it?*

It will take time to put the City on a more sustainable path, but some steps can and must be taken in the upcoming budget cycle.

The City adopted a balanced 2025 budget and endorsed a balanced 2026 budget by using a surplus of one-time Payroll Expense Tax revenues and changing financial policies to allow ongoing support for the General Fund. Because some of the Payroll Expense Tax revenues were one-time fund balance, we projected a deficit in the General Fund starting in 2027.

All of the spending in the budget supports services that residents, businesses, community organizations, and visitors rely on; and we are not embarking on a "cuts only" strategy. Nonetheless, lower revenues will require that we make difficult choices about how to reduce some spending.

Unfortunately, the City's April 2025 revenue forecast revealed that evolving economic conditions are leading to lower revenues than anticipated in the budgets for 2025 and 2026. The General Fund and Payroll Expense Tax revenues are no longer expected to be sufficient to cover all of the spending included in the adopted and endorsed budgets.

In March, anticipating the potential for bad news in the April revenue forecast, I asked Executive departments to propose reductions to the 2026 Endorsed Budget. With my support and advice, the Mayor also issued a directive to every Executive-branch department requiring that they underspend their 2025 Adopted Budget, including but not limited to an immediate freeze on: new hires, all discretionary travel and training, new contracts, and new initiatives. At the same time, CBO and the Mayor's Office provided departments with a tool to elevate any proposed exemptions to the freeze in order to ensure that crucial City business continued without serious impacts.

As discussed in upcoming responses, aligning the budget with available resources will require other potential changes to the 2026 Endorsed Budget including potential new revenue and increasing government efficiency.

3. *What do you see as the biggest challenges facing the City Budget Office over the next five years and how do you plan to approach them?*

Among the budget director's most important priorities is to assemble, nurture, and grow a team that can adeptly navigate the City's current and future budget challenges. At a time when all City departments are being asked to do the same (or more) with potential reductions in available resources, the leadership in CBO will face the same challenges of finding great people, supporting their onboarding, providing opportunities for professional growth, and creating a strong cadre of outstanding financial professionals that help the City address these challenges.

A broader challenge is that the City's costs of providing general government services (those that are not funded by special purpose levies) have increased at a faster rate than supporting general government revenues. We will need to take multiple steps to address this challenge.

Like other cities in Washington State, Seattle's most flexible revenues have not kept pace with growing expenses. The General Fund pays for public safety and a range of other critical services; and the cost of providing these services increases generally with inflation (an average of more than five percent annually over the last five years). Especially in recent years, the growth in General Fund expenses has consistently outstripped the growth in General Fund revenues. One of the biggest General Fund revenues is property taxes, the allowable annual growth of which has since 2001 been limited to 1 percent plus new construction.

Seattle – like many other Washington cities – has increasingly relied on special purpose taxes to support narrowly restricted but important purposes (e.g., affordable housing, transportation, education, libraries, etc.). I am incredibly grateful that Seattle's voters have continued to support these important needs. But the costs for police, fire, CARE, courts, the law department, and many other departments are not covered by special purpose taxes and have risen substantially faster than the growth of the General Fund revenues.

Seattle counts on the Payroll Expense Tax to bridge the gap between General Fund expenses growing faster than General Fund revenues. In April, the Office of Economic and Revenue Forecasts (OERF) downgraded its projection of Payroll Expense Tax revenues. OERF determined several reasons for this negative outlook: the threat of tariffs, market volatility, and decisions by some businesses to slow their growth or even decrease their Seattle workforce.

Seattle will likely require a mix of more than one strategy to rebalance its budget: some new revenues, some reduced spending, and some efficiencies.

4. *We are in a time where technology, especially budgeting-related software, is expanding rapidly. What role do you think new and emerging technologies could play in the city's budgeting process moving forward?*

The Executive and the Council have recently partnered to pilot the use of an innovative technology to support our collective budget decision-making. CBO and Central Staff are engaging with a vendor who uses AI to analyze government budgets to determine where Seattle may be an outlier. For example, the product could analyze manager/employee ratios, fleet size, revenue sources, or equipment needs.

We are in the early stages of this work, but I am excited to see how this and other technologies could help inform the budget work that we all collectively do, while balancing that against potential concerns about privacy and job replacement and ensuring consistency with City technology policies.

## Budget Process

5. *There is always room to improve the City's budget process. If confirmed, what changes would you prioritize to increase transparency and engagement with the public and external stakeholders?*

I agree that there are always opportunities to improve the budget process, and I'm committed to doing so. As budget director, I will continue partnering with Council President Nelson, Select Budget Committee Chair Strauss, Director Noble and his budget team, and all of the Councilmembers to ensure that the City's budget process is inclusive, transparent, and informed by robust public engagement.

CBO's role is to support the City's elected policymakers by creating the Mayor's Proposed Budget and by providing information to the Council and its Central Staff. We know that policymakers hear from the public on a daily basis, and that feedback helps us in shaping budget proposals that reflect the policymakers' priorities.

In partnership with Council offices and Central Staff, CBO has made significant progress in recent years on things like real-time fiscal monitoring. That has led to more predictable and transparent department spending over the course of the year, resulting in fewer budget exceptions at the end of the fiscal year.

Council's creation of the Economic and Revenue Forecast Office and Council has provided unprecedented transparency regarding the rationale and data underlying the City's revenue forecasts. Finally, the implementation of a shared Executive/Legislative budget system has meant that data is sharable between the branches in ways that were previously impossible, increasing transparency but also reducing repetitive work in both CBO and Council. We continue to work on ways to partner with Council to get better information and data to inform decision-making, such as the AI vendor project mentioned above.

This year, we are piloting quarterly expenditure forecasts with a few departments to further improve our transparency with the City Council on the timing of anticipated expenditures throughout the year, which will better inform decision making when making mid-year budget adjustments.

6. *As Budget Director, what is your overall approach to ensuring that Council budget priorities reflected in the final adopted budget are spent-on time and on-budget?*

As budget director, I will be sensitive to Council budget priorities. I will endeavor to pass along information that I think Councilmembers will care about. I also expect there will be times when you have questions or requests for updates. When you (or your staff) reach out to me with such questions, I will do what I can to make sure you get answers.

On occasion, there will be high-priority projects that cannot be completed on time or within budget for one reason or another. I will be forthright in sharing information as I learn about it with you and your staff. I won't be shy about letting you know about bad news; and in that same vein, I will want to make sure you know about good news.

Effective and open communication is critically important for maintaining trust. Among other strategies, I meet regularly with both Dan Nolte, the Mayor's Deputy Chief of Staff, and Bayley Burgess, the Mayor's Labor and Council Liaison, the administration's routine points of contact for Councilmembers and their staff. They keep me abreast of the needs of Council offices, requests for information, and the like.

The Mayor and his leadership team have established strong and positive working relationships with Councilmembers to ensure the City takes care of all of its needs and priorities. In keeping with that approach, I have worked closely with all Councilmembers and meet routinely with Central Staff. This helps me stay abreast of Council priorities and ensures the administration can help address any emerging problems proactively.

Councilmembers all have my number, and many of you have taken me up on my offer to call at any time. I intend to continue this approach. This summer, I will offer each Councilmember an explicit opportunity to identify budget priorities that should be maintained and opportunities to reduce spending in light of recent downturns in municipal revenue forecasts.

7. *What criteria would you and your team use to evaluate program effectiveness, and how would you make tough decisions around cutting or eliminating programs? Additionally, what would be your suggested ways to communicate those decisions to non-financial audiences and community stakeholders?*

CBO's role is to support the work of the City's policymakers in making decisions. When departments submit proposals (either as part of the annual budget process or in the supplemental/stand-alone process), our team of Budget and Policy professionals dig in to evaluate the proposals to inform policymakers' forthcoming decisions. In the last decade, CBO focused its recommendations on how best to deploy new resources. That analysis evaluated questions such as:

- Is this proposal a new line of business for the City? Is another government partner (state, school district, county, etc.) already in this space, and what value would we be adding?
- What is the theory of change that this proposal advances?
- How will we measure success?
- Is the proposal reasonable at this size, or should it be scaled?
- How does this change address disparities?

More recently, in the aftermath of the COVID-19 public health emergency and resulting economic impacts, the focus of CBO's work has changed; and we now spend more time evaluating how best to deploy limited resources in meeting the City's missions and needs. Recommendations now are informed more by questions such as:

- What members of our community will be most impacted by this reduction?
- Can the department maintain the current level of service with fewer staff members?
- If we combine this function with another in a different department, can we achieve overhead savings?
- Is this program still meeting its original purpose? Has its priority changed?
- Is the program meeting its performance goals or metrics?
- Who or what groups are most impacted by proposed reductions?

Whenever the Executive proposes a reduction or elimination of a program via the budget process, it evaluates these lines of inquiry in publicly available materials as part of the legislative process. The impacts of proposed changes are summarized in budget documents, including a summary of changes that impact race and social justice. The

Mayor's Office communication team works in partnership with the budget office to produce clear, simple fact sheets on priority items and the overall budget.

## **Long Term Planning**

8. *Balancing growing service demands with unstable revenue sources is a continual challenge. How would you approach long-term fiscal planning—looking 2 to 3+ years out—to address immediate budget pressures while ensuring sustainability? Would you consider new revenue options or other structural changes? Are there models from other cities or regions that inform your thinking?*

I support exploring new revenues in the mix of strategies to put Seattle on a path to a sustainable budget. The Mayor often says – and I agree – that “all options are on the table.” Ultimately, of course, decisions about new revenues and longer-term sustainability rest with elected policymakers.

The General Fund budget relies on ongoing contributions from the Payroll Expense Tax. Revenue from the Payroll Expense Tax has increased substantially since 2021, but the April forecast revealed some volatility. There is significant work ahead this year to bring the 2026 Endorsed Budget back into balance.

Municipalities in Washington State have limited options for generating revenues. On behalf of the City, I testified at the Senate this year in support of the State creating a new \$100 million program for municipal public safety grants and also authorizing municipalities to implement a public safety sales and use tax. The Legislature passed the bill, and the Governor signed it into law.

About half of Seattle's General Fund supports public safety. In Seattle, the 2025 and 2026 costs of sworn police officers will be significantly higher than reflected in the budget because we are attracting more new officers and seeing fewer separations. This is a clear success story and helps achieve a shared vision of the Mayor and Councilmembers, but the bottom line is that will require additional funding. I support Seattle deploying the new sales and use tax and expect Seattle will compete well for the associated new public safety grant program.